

**Development of Competitive
Ecotourism Products for
Rila and Central Balkan Pilot Sites**

***Manual for Entrepreneurs and
Small Business Operators***

ARD/BCEG Project

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Purpose of this Manual

Tourism is rapidly becoming one of the largest industries in the world. Revenue generated through tourism activities already represents large portions of the global economy. Trends indicate that this phenomenon will continue to grow.

At the same time, destinations around the globe are beginning to recognize the benefits tourism can bring to a region. As transportation and telecommunications expand horizons, places that could never before be considered tourism destinations are reaping the benefits of tourism revenue.

This is not to say that tourism does not have its disadvantages. Mass tourism has often proved fatal to a tourism destination. Abuse of natural resources, pollution, social tension and economic instability are just some of the negative effects tourism can have. Of course, not all tourism has to be this way.

Tourism has reached a new generation. Alternative tourism, such as ecotourism, cultural heritage, environmental, educational or event tourism, are just some of the options a destination may incorporate into a feasible tourism plan. These tourism products offer a new experience to the traveler while providing a sustainable economic base and protecting the natural and cultural resources. Trends indicate that alternative tourism is becoming more and more popular. Tourists are looking for something more out of a vacation. They want an experience of a lifetime.

However, for tourism to be sustainable, it must be carefully planned and continually re-evaluated. With the right amount of preparation, almost any region can become a tourism destination.

This manual is designed to assist entrepreneurs and business operators in municipalities surrounding the Rila and Central Balkan National Parks to develop tourism products that are both sustainable and competitive. It has been designed as a self-help guide with a practical approach to aid entrepreneurs and small business owners develop new tourism products and enhance existing tourism.

We will begin by explaining exactly what a tourism product is and how to develop it from both a destination and a private operators point of view. Once the product has been identified, the process of planning and marketing begins with a focus on innovation. Each step of the product planning stage is explained in a easy to follow format so that entrepreneurs and small business operators can create competitive tourism products. A preliminary business plan template with web site links is also provided.

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1. An Introduction to Tourism Product Development

The first step in successful tourism development is analysis of the “tourism product”. You are planning to develop and sell a new or improved “product”. That means, like any product manufacturer, you need to know as much (or more) about creating that product as your competition does.

1.1 What Is A Tourism Product?

A tourism product is an ensemble of tangible and intangible components including:

resources & attractions
+
facilities & infrastructures
+
services
+
activities
+
images & symbolic value

offering BENEFITS which may be ATTRACTIVE for specific
groups of consumers to SATISFY the MOTIVATIONS
And EXPECTATIONS related to their leisure time.

1.2 The Tourism Product Development Process

Like any other business activity, tourism product development has never been easy. In today’s world, maintaining an edge over the competition requires an extra effort. Innovation is the key to successful tourism product development.

There are four types of innovation that comprise the tourism product development process:

Process innovation--understanding how the tourism system works

Product innovation--enhancement, development and commercialization;

Marketing innovation--matching distinctive competencies with market segments

Management innovation--role of the Destination Management Organization (DMO) and commercial Receptive Services Operator (RSO)/ Destination Management Company (DMC) at a destination level; and the entrepreneur or business manager at the enterprise level.

Innovation is the key to success. Tourism product development must continually self-renew itself each of these areas if it is to sustain itself and be prosperous. If one area begins to lag behind or not renew itself, the entire product will be affected negatively. The following

sections evaluate each of these areas and how innovation can be used to create a sustainable tourism products.

2. Process Innovation

Creating a tourism product that incorporates process innovation is essential to product development. At this stage how the tourism system works in a specific destination or attraction is processed. This consists of two phases, which are:

- Getting Started
- Setting Realistic Goals

Bulgaria has an incredible wealth of tourism resources: historic sites, beautiful scenery, world class beach resorts, friendly people, and a well-defined hospitality industry. The range of new tourism products that can be created using those basic ingredients is enormous. The key is in knowing which ingredients to combine, what markets to target, and what outcomes can be predicted before making the decisions. The most important factor in this process is determining what outcomes are desirable. For instance, if a huge influx of new tourism into an ecologically unstable area would destroy it, tourism development of that area is not feasible.

Experience based tourism products (such as hard adventure, soft adventure, and many of the special interest tour categories) are often situated in rural areas where very little commercial tourism development has taken place. For example, bicycle touring in rural areas of Uzbekistan, the primary motivator to the tour participant is the bicycle touring experience instead of the destination to be toured.

Therefore, one of the first criteria in tourism development should be to determine which geographical area (city, region, state, etc.) needs the types of benefits that an infusion of inbound tourism could bring? Throughout this Manual, we will take a two-pronged approach to these issues: development of a NEW tourism area and regeneration of a EXISTING tourism area. In some instances, a new type of tourism product, such as experience-based tour products could work well in both types of locations. In other instances, alternative tourism, such as ecotourism or heritage tourism implementation is feasible only in new locations, not in those already overgrown with commercial development.

Exercise 1

Let's start by identifying specific sites in the pilot areas that could benefit through NEW tourism product development:

Next, let's identify sites in the pilot areas where tourism already EXISTS – but is not flourishing (declining numbers, decay of environment, etc.).

3. Product Innovation

Tourism is competitive. Tourists have tens of thousands of destinations and specific products from which to choose. Bulgarian tourism products not only compete with other countries, but also with each other.

3.1 Identification of Tourism Resources

Tourist resources are the basis for tourism development and often, the main motive for tourists to visit a destination. Resource conservation and management must be priority. Without proper design and management, valuable assets may be eroded.

The BCEG and GW team are conducting an inventory and evaluation of already developed and potential resources. These resources are available to workshop participants.

3.2 Resources with Attraction Potential

- ❑ Natural assets: Parks, lakes, beaches, scenic areas....
- ❑ Heritage: Monuments, museums, historic sites...
- ❑ Modern and traditional culture manifestations: Art, gastronomy, folklore, crafts, music, architecture, life style...
- ❑ Man made attractions: spa, ski resort, golf course, conference center
- ❑ Activities: Hiking, climbing, bicycling, fishing, bird-watching.

Attractions can be classified according to:

Ownership: Public, private (Commercial or non-profit)

Permanency: Site attractions have a permanent fixed location while event attractions are shorter in duration but the location can be changed

Attractions can be further categorized into eleven categories. Many attractions may fall into more than one category. However an attraction should be placed in the category where it is strongest. The categories are as follows:

1. **Natural:** natural resources such as large green areas, waterways, flora and fauna and their ecosystems. Often these resources fall into public domain so as to protect them from other development.
2. **Business:** Cities or other metropolitan areas. Tourism to these destinations can either be due to business or leisure-travel. Convention tourism makes up a large portion of this sector.
3. **Historic:** Historic sites, man-made or natural or sites of historic interpretation are included in this category. Some of these sites may require restoration and should be carefully interpreted so as to portray the true significance of the area.

4. **Ethnic/Cultural:** This sector is comprised of any cultural or ethnic situation, such as the way a group of people practice a religion, celebrate special events or carry out day to day activities. Often resident cultures do not realize their ways vary from those of others. It is important that cultures not feel exploited as a result of tourism and that the integrity of the community is withheld.
5. **Friends and Relatives:** This category constitutes a large portion of the tourism market. However, it is difficult to control where and when people visit one another. If a destination finds itself close to a friend or relative attraction market, efforts should be made to entice those visitors to bring guests along with them.
6. **Medical:** Health tourism is an ever-growing sector to the tourism industry. Overall, people are seeking healthier lifestyles, which includes vacations. Health spas, resort health centers and specialized medical centers make up some of the attractions within this area. Regional specialties such as homeopathic or natural healing treatments may be exploited within this category.
7. **Special Events:** Annual festivals or large-scale events can generate significant short-term tourism. It is difficult to prove the long-term effects of such events.
8. **Government:** Governmental hubs, such as a regional or national capital, often encompass several attractions. Often these areas not only act as government's central point; they also glorify the history and culture of an area through museums, monuments and landmarks.
9. **Parks:** Natural areas such as National parks are included within the natural resources category. This category usually comprises man-made or private parks, such as theme parks or amusement parks. This type of tourism has recently grown tremendously. Often, all encompassing resorts are the result of careful tourism development. While this "closed" tourism has less impact on the surrounding area, it also has limited economic benefits.
10. **Religious:** This type of attraction is not usually planned but often the result of an act of faith or the site of a religious phenomenon.
11. **Other Built Attractions:** Zoos, aquariums, arenas, are some examples of what is grouped together in this category. The fact that these attractions are grouped together should not deflect from their individual importance.

3.3 Product Development Guidelines for Destinations

Once all of a region's attractions have been inventoried, the process of destination product development can continue. As mentioned earlier, attractions are the principal reason tourists visit an area; therefore, product development must focus principally on attractions, followed by subsequent services. The Tourism Center at the University of Minnesota identifies five criteria for evaluating attractions once the inventory has taken place. They are as follows:

Quality: Tourists want value for their money, part of which is quality. Services rendered are just part of a thorough quality assessment process. Emphasis must also be put on how well resources, including natural and socio-cultural, are protected. The community involved should evaluate the quality of an attraction at all levels.

Authenticity: Tourists travel to areas for a limited period of time. Greater tourism satisfaction will occur when, during their visit, tourists feel that they are a part of the region or that their experience is genuine.

Uniqueness: As more areas incorporate tourism into their overall economic development, it is necessary to find new and alternative tourism products. Regions that simply mimic already existing attractions will not be offering anything new to the tourist. Once the attraction inventory is completed, a wide range of attraction possibilities will be evident. It is important that the community incorporate a mix of tourism products that offer new experiences to the consumer.

Activity Expansion: Having a unique attraction is not enough. Tourists must have options once they arrive which may entice them to remain at a destination longer or participate in more activities. When developing these options, care must be taken to ensure that they are compatible with the principal attraction and the community's cultural and natural resources.

Drawing Power: Essentially, drawing power is a combination of how far tourists are willing to travel, where they come from and how will they get to an attraction. Attractions can be grouped into primary or secondary categories. Primary attractions should be used to develop a marketing strategy for the destination. Secondary attractions provide visitors with activity options once they have visited the primary attractions. Both are equally as important to the development of a destination.

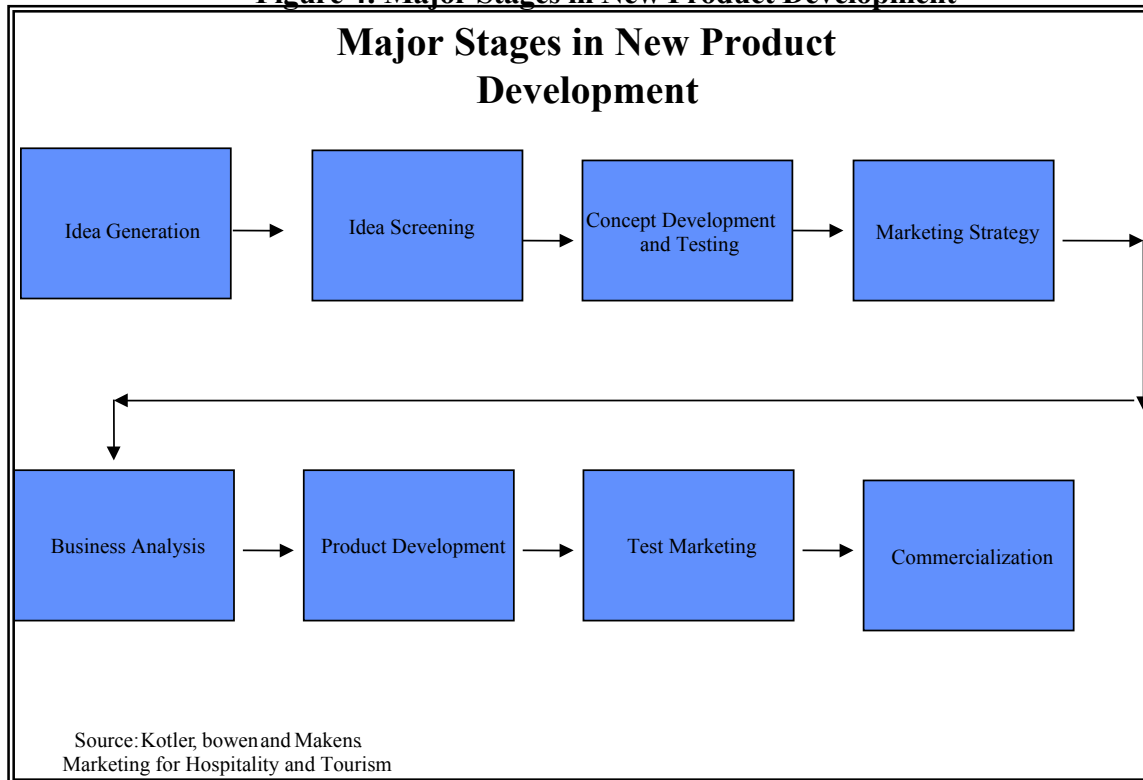
The next step in tourism product development is the creation of the right attraction mix. This can be done with the information obtained in the previous two steps, inventory and assessment. According to Gartner¹, there are two ways in which to group attraction to attain the right mix: Organic Bunching and Thematic Appeal.

Organic Bunching is the grouping of like attractions, which is done to increase the overall value of each attraction. As Gartner explains, "One old building is an old building, ten old buildings is an historic district"². Attractions that in alone would not have a strong drawing power can be grouped with similar attractions to create a primary attraction. This not only increases drawing power, but decreases' marketing costs and enhances activity options.

Thematic Appeal is creating an image that can be carried throughout the attraction. Theme parks have been able to follow Disney's lead by creating fantasy destinations all over the globe. Theming an area does not have to be confined to parks. An entire community can take on an identity, such as a restored village or an indigenous region. According to Gartner, the "idea behind theming is uniqueness"³. The key to this process is creating an image that is unique to an area and maintaining this image throughout the entire attraction.

3.4 Product Development Guidelines for Entrepreneurs and Small Business Operators

Research is the key ingredient here: occupancy patterns, changes in markets, growth and decline of specific areas are essential factors in the decision-making process. Does Bulgaria *need* new products? Does Bulgaria *want* to diversify the incoming market base? Does Bulgaria want to use all its resources to bolster up and improve existing tourism products or divert some of those resources to creating new products that will diversify the incoming market?

Figure 4: Major Stages in New Product Development

As seen in Figure 4, the first stage of new product development is to generate the idea. When referring to a new product, it is an original concept or idea not the rejuvenation of an existing product. It is important that the company stay focused on their goals when researching new products. The development of a new product that does not comply with the efforts of the company may be counterproductive. The company should establish a plan for their product that follows a systematic process congruent with the needs of the organization that clearly states product expectations. In order to develop this plan, developers may look at potential customers, competition, suppliers and distributors. The plan should also include the amount of resources that will be dedicated to this process.

The second stage of this process is idea screening. Once a number of ideas have been created, the process of selecting the most appropriate projects and eliminating the rest begins. The purpose of this stage is to establish whether products will be compatible with the goals of the company. The following issues should be addressed to establish product line compatibility⁴:

- *Does it fulfill the business mission?*
- *Meet business objectives?*
- *Protect and promote core business?*
- *Satisfy and please our key customers?*
- *Better utilize existing resources?*
- *Support and enhance existing product lines?*

After extraneous ideas are eliminated development and testing of the existing concepts should begin. Preliminary testing of a concrete product concept is conducted at this stage. It would be unwise to develop a new product without doing some sort of testing process first. For

example, a fast food chain would not introduce a new menu item to the entire chain until they have tested it in several specific sites. This avoids unnecessary expense if a product is unsuccessful. Performing market testing is not a guarantee that the product will be successful, but it decreases the odds of failure.

Developing a marketing strategy for the new product is the next stage. The marketing strategy will be used to introduce the product to the market. It must define the target market, product positioning and product goals. In addition it must include costs such as budgets and profit goals.

The next stage, business analysis, evaluates what has been done so far. The product concept and the marketing strategy are reviewed to determine whether the product complies with the company's needs and if it will be successful.

Once the business analysis has been completed, the concept moves into the product development stage. At this stage a prototype may be developed that should answer the following questions⁵:

- Do consumers perceive the product as anticipated in the product concept?
- Does it perform safely under normal use?
- Can it be produced within budget?

Test marketing is the next stage. This initial testing can be used to identify problems without fully introducing the product. Each element of product marketing is evaluated such as position, advertising, distribution, pricing, packaging and costs. The amount of time necessary for test marketing depends upon the product. For example, if having the first of its kind product on the market is important to your plan; too much test marketing would give the competition an advantage.

Finally, the commercialization stage may be reached. Once all of the other steps have been completed, there should be an idea of whether to launch a product or not. If the product is to be launched details must be determined. Vital decisions such as when, where, to whom and how to launch the product will determine its acceptance.

3.5 Competitive Advantage Exercise⁶

Prior to initiating a project, it is advantageous to identify benchmarks – projects similar to your own – compare them, and then to use best practices to learn from others and avoid their mistakes. The following exercise will help locate possible benchmarks and evaluate how they function, what they do well and what can be changed. This will help you assess the current competition and what may occur in the future, as well. It is recommended that you visit these areas, interview key people and observe your competitors operations first hand.

Exercise 2

What are the two or three places that you feel is your primary competition in terms of attracting visitors away from your destination or proposed activities?

1. _____
2. _____
3. _____

Select a competitor from the above list and write the name below.

Name: _____

Think about the resources, attractions and other features of that competing destination. For each tourism category below, list just two important advantages that this competitor has which you feel contribute to their success in tourism.

Attractions

1. _____
2. _____

Events, like cultural or social gatherings or festivals

1. _____
2. _____

Transportation

1. _____
2. _____

Tourist Services

1. _____
2. _____

What are some things that your competitor does particularly well in communicating information about its area and the vacation opportunities that it offers? (For example: signs, brochures, advertisements, etc.)

1. _____
2. _____
3. _____

Can you identify some advantages your product may have over the competition? You may want to compare what you have in common with your competitor, or try to find ways to offer better service, lower prices or more interesting and effective advertising. However, directing your efforts toward improving and developing you unique strong points can be a good strategy.

Think about the resources, attractions, and other features of your product. For each tourism category listed, record two or three important advantages that your product has over competitors. Look for unique, specific features your product has or could develop and promote to give your destination an advantage in attracting visitors.

Exercise 3

Cultural and Heritage Attractions

Advantages:

1. _____

2. _____

Limitations:

1. _____

2. _____

Nature-based Attractions

Advantages:

1. _____

2. _____

Limitations:

1. _____

2. _____

Recreation Activities

Advantages:

1. _____

2. _____

Limitations:

1. _____

2. _____

Special Events

Advantages:

1. _____

2. _____

Limitations:

1. _____

2. _____

Tourist Services and Facilities

Advantages:

1. _____

2. _____

Limitations:

1. _____

2. _____

Accessibility

Advantages:

1. _____

2. _____

Limitations:

1. _____

2. _____

Visitor Demographics and Characteristics

Advantages:

1. _____
2. _____

Limitations:

1. _____
2. _____

Communications

Advantages:

1. _____
2. _____

Limitations:

1. _____
2. _____

Public/Private Organizational Support

Advantages:

1. _____
2. _____

Limitations:

1. _____
2. _____

3.6 Identifying Business to Business Partners

At the present time, it is possible to research the tour companies that already offer these special interest tours at the Specialty Travel Index web site, www.spectrav.com. If you compare this list of “urban” special interest/soft adventure possibilities against the list of already existing tours. Most of them, however, are using rural sites rather than urban, concentrating on hard adventure activities or focusing on cultural/educational themes. Furthermore, small, home-based group tour promoters are doing almost all of the special interest and adventure tour packaging and promotion, not by the major tour operators.

3.7 Product Branding

Every product must develop its own identity. Product branding ensures that the product is readily identifiable by its consumers. Brand name and brand mark are two elements of this process.

A brand name should be the way consumers refer to the product. There have been numerous cases where a brand name has become the term by which the market refers to a type of product, such as Xerox Copiers. Developing a brand name that will catch the consumers attention and will be retained is key to developing brand loyalty. Within the tourism industry, brand loyalty, is especially sought.

A brand mark does very much the same as a brand name but is not something that can be vocalized. It is a picture or a symbol by which the product is identified. Airlines and hotels are particularly successful with brand marks.

There are several conditions that support product branding⁷. Branding should make the product readily identifiable. Consumers should look favorably upon the product. The product should be perceived as a good value for the price. Brands will be attractive to different markets. Whatever the image being portrayed, it is important that the brand represent that.

One useful approach in the branding process is to identify what your organization does better than anyone else – its comparative advantage. This is known as an organization's distinctive competencies. By isolating the skills that the organization already has, it will become evident where the best allocation of resources may be.

3.8 Get into Tour Package Catalogues

Why would a company whose products are primarily treks in the Himalayas offer a trip to Bulgaria in the same catalog? Because special interest/adventure clients are loyal to activities, not to destinations! Approximately half the tour packagers' clients each year are "repeat and/or referral". Unless the tour packager can diversify his product lines and offers similar experiences but in different destinations, he risks losing the client to another tour packager.

For the destination, being included in a tour packager's catalog is wonderful exposure. Even if the traveler does not buy a tour from that catalog, the seed has been planted in his brain: the activity that interests him is available in that destination – and it has been attractively packaged.

3.9 Attract Individual Travelers

Individual travelers who are motivated by a special interest or activity are far more likely to seek that activity in a private vehicle than on a commercial aircraft. Once again, this raises some interesting questions that can only be answered by interviewing the travelers. Is driving into Bulgaria perceived as being difficult and/or dangerous? Are the activity sites clearly identified and easily reached? Is the individual traveler aware of the interests and activities available in Bulgaria? Is the individual traveler who is seeking a special interest or activity-based travel experience disdainful of the 'sun and beach' resort vacationer? What media are reaching and influencing the buying decisions of the individual travel that does not book his reservations through a middleman (tour packager, travel agent, etc.)?

3.10 Use Your Comparative Advantage

Bulgaria has an enviable position: with its proximity to Western Europe and its wide range of activities and interests that can be packaged, Bulgaria can easily attract tourists. Bulgaria can be reached by private vehicle as well as by air. Prices in Bulgaria are highly competitive with other destinations. Some tourism infrastructure is already developed. Airlift from numerous European gateways is available. When compared to other international destinations where the air service is spotty, the flights are long and uncomfortable, the airfares

are considerably higher per passenger mile, the entrance requirements are stringent, and the infrastructure is still in its infancy, Bulgaria has some advantages.

3.11 Create Product Differentiation Pilot Projects

By identifying “pilot projects” and studying case studies of successful models that have been implemented in other geographic areas of Bulgaria, a whole range of new possibilities in tourism development would emerge.

An efficient way to match major leisure trends to existing resources is to start with the few special interest “trend” packagers and the areas, accommodations, and tourist facilities already in place in Bulgaria. What types of accommodations do their clients prefer? By identifying what is already working well in tour development in Bulgaria for these new trends a series of “models” can be developed for utilization throughout the country.

3.12 Identify routes, itineraries, events, and special interest potential

Local hoteliers and other hospitality industry members trying to increase revenues through their own direct sales methods can pursue tourism development. Developing new products to be sold through special interest/adventure tour operators can also pursue it.

Unfortunately, very few of the special interest/adventure tour operators have the financial resources or the time to explore geographic areas unknown to them. Unless the tour operators are contacted by the hospitality industry with already researched routes, itineraries, facilities, events, and interests, ready for them to package and promote to their existing market base, chances are Bulgaria will continue to be omitted from their tour catalogs.

Putting hotel brochures in an envelope and sending them to special interest tour packagers, however, is a generally a waste of time and money. Unlike the sun and beach tour operators, the accommodations to be included in the tour price are often the least important part of the package.

For example, to get the interest of a bicycle tour packager, the following materials would be essential:

- Local road maps showing daily itineraries (from 5 to 30 miles) that could be covered by tour participants
- Descriptions of the scenery to be viewed on those routes;
- Gradients and road surfaces
- Weather conditions
- Rest stop facilities
- Bicycle repair facilities
- Inn-to-inn routes for bicycle touring
- Local vehicles available for use as ‘sag wagons’, arrival transfers, and baggage transfers
- Local events, holidays, festivities, and entertainment that can be incorporated into tour packages
- Local bicycle clubs interested in meeting incoming bicycle club groups

What if an area wants this type of tourism product development, but there is no local charter vehicle company available to provide the transfers? Instead of being viewed as a barrier, this can be seen as an opportunity for new local entrepreneurs.

3.13 Identify Ancillary Service, Facility or Infrastructure Requirements

The fastest way to obtain check-lists of required and recommended services and facilities needed for implementation of a certain type of tour is to interview the tour operators currently packaging such tours. Ask them what they would need in the way of local services to be able to bring their tour groups to Bulgaria.

Once you have the checklists compiled from the tour operators, the next step is to match those lists to the geographic areas of Bulgaria you want to develop. One of the fastest ways to determine which services are already available and which would have to be located or created is to contact persons already living in that geographic area who have that type of interest. For example, the fastest way to determine which are the most scenic bicycle routes, the most convenient rest stops, etc. is to interview local bicycle tour clubs and enthusiasts.

Optimally, you will be able to develop a short list of locations that already have all or most of the component parts available for new incoming tours. In essence, you will have created an inventory of special interest activities and adventure travel opportunities that could be implemented in that area. In the inventory, you will list each element needed for the successful operation of each type of tour and identify the name of the company or person able to provide that service or facility.

3.14 Create Focused Itineraries

For example, by creating an “ecotourism and adventure tour inventory” for each pilot site, it becomes relatively easy to prepare sample itineraries. Again, local input from enthusiasts is the fastest way to build attractive sample itineraries. If local wild-flower and butterfly enthusiasts have already identified the best walking trails, the best rest stops, the amount of territory that can be comfortably covered in one day, the types of flowers available for viewing at specific times of the year, the types of vehicles needed to reach the trail-heads, etc., putting together sample modules (2 nights, 5 nights, one week) is easy.

The sample itineraries need to be in module format rather than just one all-inclusive itinerary. Some tour operators will want to organize a multi-area tour while others will want to stay in just one geographic area. A sample itinerary would include the accommodations (hotel, private home, bed and breakfast, historic inn, etc.), the airport transfers (if needed), and the daily activity itineraries.

By giving the tour operator an already planned and priced module, it makes it easy for them to incorporate into his tour catalog, either as an optional extension or as an integrated part of a multi-area tour. This is the type of idea that could be developed by an hotelier, by a local tour company, or by a destination management company. But no matter who develops it, the tour operator will want to deal with just one person at the location.

Hoteliers, attraction operators, and other service operators take a much narrower view of the products they sell. As private sector entrepreneurs they focus on their own services. In Bulgaria,

the private sector has come to rely on tour operators, incentive houses, meeting planners, and representation firms, particularly in other countries, as their sales distribution system. Unless these commercial interests are convinced that the new tourism products they create will be of interest to their sales distribution system to promote, it is doubtful they will be interested in new, improved, or modified product development.

In the past the costs of direct marketing were prohibitive. Furthermore, it was assumed by the hospitality industry that the sales distribution channels already in place (tour packagers, retail travel agents, incentive houses, etc.) controlled the decision making process of leisure travel buyers.

4. Marketing Innovation

As tourism markets becomes more complex and sophisticated, evolving into a global international market with many different motivations and consumer behaviors, it can not be approached as a whole. 50 years ago, leisure travel to international destinations was common only to the wealthiest strata of the world's population. With the advent of jet aircraft – and the resulting drop in airfares, the advent of mass marketed tour packages, and the development of budget level accommodations to house those mass markets, the face of international leisure travel changed forever.

4.1 What do tourists buy?

Tourists PAY for the SERVICES they need to survive and to enjoy their leisure time in a different and often unfamiliar environment,

But they are looking for EXPERIENCES and UTILITIES,

And that is what they BUY.

From the point of view of the visitor:

resources / attractions =
opportunities for discovery. THINGS TO SEE

activities =
opportunities for enjoyment. THINGS TO DO

services, facilities and infrastructures =
opportunities made accessible. FACILITATORS

If new or different they can also be an important part of the vacation, adding value to the trip. For example, glass bottom boat rides, scuba diving lessons, horseback riding, nature trails, folkloric ballet performances, etc.

Tourists buy DREAMS, the dream of enjoying a pleasant leisure experience.

They buy FUN and ADVENTURE, with the expectation that they will have experiences not immediately available to them in their home environment.

They buy IMAGES and PROMISES, the promise that a destination will fulfill their expectations and that required services will be delivered in a specific place and time.

Failure in achieving what expected and getting the services as planned leads to FRUSTRATION.

Frustrated customers get furious and COMPLAIN. They will not repeat the visit and they will tell others about their bad experiences.

Keep in mind that leisure time has:

- Great emotional involvement, it is time for fun and personal development, its time to make dreams come true
- High economic value too, because it is expensive

4.2 The need for a market focused approach

Exercise 4

What do people want when buying a vacation product linked to Bulgaria's National Parks?

- **Who are your customers?** What do you already know about the tourists who visit Bulgaria's National Parks? Why did they select this destination?

- **What is the main reason (motive) for your customers to buy your product?**
Have you ever asked them about it? Have you checked if your opinion is the same as your customer?

- **What are the benefits they are looking for?** How do you know which benefit images to promote? Is it your opinion or do you have reliable research data?

4.3 *The Basics of Market Segmentation*

How a market becomes portioned into segments will depend upon specific characteristics of each particular destination or business. There is no single set of variables by which to segment a market and several categories can be used such as: demographic, behaviorists or psycho-graphic criteria.

Geographic and demographic criteria such as sex, age, or habitat often do not provide sufficient information regarding purchasing habits and the likes and dislikes of the market segments they define. Relevant criteria that can be used to identify segments in tourism are aspects related to the buying behavior such as:

- Main travel motivation
- Packaged or independent trip
- Direct booking or through a travel agent
- Travel group: couples, families, groups of friends
- Type of transportation and accommodation
- Seasonality
- Consumption patterns: Services consumed / required, choice of activities, light or heavy consumers
- Image, perceived value
- Loyalty status: frequent clients, repeat rate

No matter which variables are used, the resulting segments must be:

Measurable: A market segment is useful if it is possible to measure the size and purchasing power of the consumer group.

Accessible: It must be possible to reach that group through communication and promotion actions

Substantial: Large enough and potentially profitable enough to justify a marketing strategy directed toward it. Of course the critical volume may vary from business to business and it is also possible to identify niche markets which are not very big but may offer good opportunities for specialization. In fact some of them can be very profitable.

Tourist destinations and enterprises should develop compatible products targeting compatible segments. Tourists prefer to go to places where they believe there are other tourists like them who will behave more or less in the same way, and have similar life styles.

4.4 *Market Research: A Tool for Marketing Decisions*

Market research is a management tool that seeks to:

- Facilitate management decision making
- Minimize risks as decisions are based on a better knowledge of the market

Market research steps follow:

1. Identify which are the most relevant data for your business.
2. Identify information sources as secondary or primary.

Secondary data:

Statistical sources, public reports on markets, media, data banks....

Primary data:

Special surveys. May require experts input and can be expensive but can be carried out in cooperation with other interested parties (private or public)

3. Use proprietary data resulting from management operations.
4. Establish a system for periodic data collection. Relevant data should be collected from your regular operations, secondary sources, special surveys. Producing comparable data will be vital to identify trends.
5. Analyze results and draw conclusions
6. Make them known to all relevant people in your organization
7. Keep them at hand for monitoring and performance appraisal

4.5 Relevant Market Data Used in Tourism Product Development

- ☐ Total volume of visitors/customers
 - Seasonal distribution
 - Market share (% over total market)
 - Break down by segments
- ☐ Travel motivations
- ☐ Demographic characteristics
 - Nationality
 - Age
 - Sex
 - Occupation
 - Habitat
 - Social status
- ☐ Purchase/ consumption habits
 - Where do they get information?
 - Type and period of booking (single services, package....)
 - Number of persons integrating travel group
 - Level of expenditure (per person/day, break down by concepts)
 - Length of stay
 - Type of accommodation
 - Type of transport
 - Activities carried out during holidays
 - Frequency of trips/ Type of destinations
 - Level of satisfaction
- ☐ Image
 - Global image of destination or company
 - Image of specific services and attributes
 - Perceived versus real image
 - Compared image with competitors
- ☐ Management ratios
 - Breakdown of income and operating expenses in specific sectors:
 - Hotels, travel agents...
 - Average occupancy/daily rates of accommodation facilities
 - Average benefits and return on investment

5. MANAGEMENT INNOVATION

This section concerns the complexity of managing the tourism product. Collaboration is required between the public and private sector and also between business interests that may eventually compete with each other for market share. Few destinations have effectively created a catalog of special interest and adventure tour sample itineraries for distribution worldwide to tour operators. Obviously, if pilot sites in Bulgaria stepped forward first, they would be at a definite competitive advantage. Bulgaria's ongoing goal for tourism development should be to create and maintain a competitive advantage with a wide cross-section of upscale niche markets as well as the ubiquitous adventure traveler. Furthermore, niche markets, worldwide, tend to be more affluent, educated, and travel-oriented. To overlook these markets would be disastrous in the long run.

5.1 *Agenda 21 and Sustainable Tourism Products*

According to the Rio Summit meeting on 14 June 1992, sustainability implies a new relationship of full long term compatibility between environmental, social and economic factors. Some of the most interesting themes of Agenda 21 that have implications for the tourism industry are:

- The need to incorporate all costs, including environmental costs, into the prices of traded goods and services.
- The need to change consumption patterns through public education and consumer choice programs
- The need to develop strategies and programs to eliminate waste and improve efficiency of resource use, among others.
- The need of land use planning and of integrated provision of infrastructure, sustainable energy and transport systems.
- The need to ensure that environmental, social and economic factors together in a framework for sustainable development

In many cases in the tourism industry, one of the most important factors of advantage is the quality of natural and cultural resources available at the destination level. Sustainability also deals with the maintenance, and even the enhancement, of their quality.

5.2 *Product Management Stakeholders*

Many stakeholders share responsibility for managing the tourism product of a destination or facilitating the commercialization of tourism products provided by private enterprises.

PUBLIC SECTOR	<ul style="list-style-type: none"> • Tourism policy to facilitate private activity • Supply of infrastructure and public services • Protection of the environment • Provide professional training • Promotion of the destination's image • Disseminate relevant information on markets, trends, and impacts • Support promotion and marketing • Regulation of commercialization channels • Management of tourist information services • Promotion of incentives and initiatives • Labor force development, education and training
PRIVATE SECTOR	<ul style="list-style-type: none"> • Entrepreneurial role • Idea generation • Project development and implementation • Investment and financial risk • Development and application of new technologies • Management of operations • Environmental responsibilities

5.3 *The Complementary Roles of the DMO and the RSO/DMC*

Two different but complementary roles:

1. Overall Development and Marketing by Destination Management Organizations (DMO)
2. Commercialization by Receptive Service Operator (RSO) and Destination Management Company (DMC)

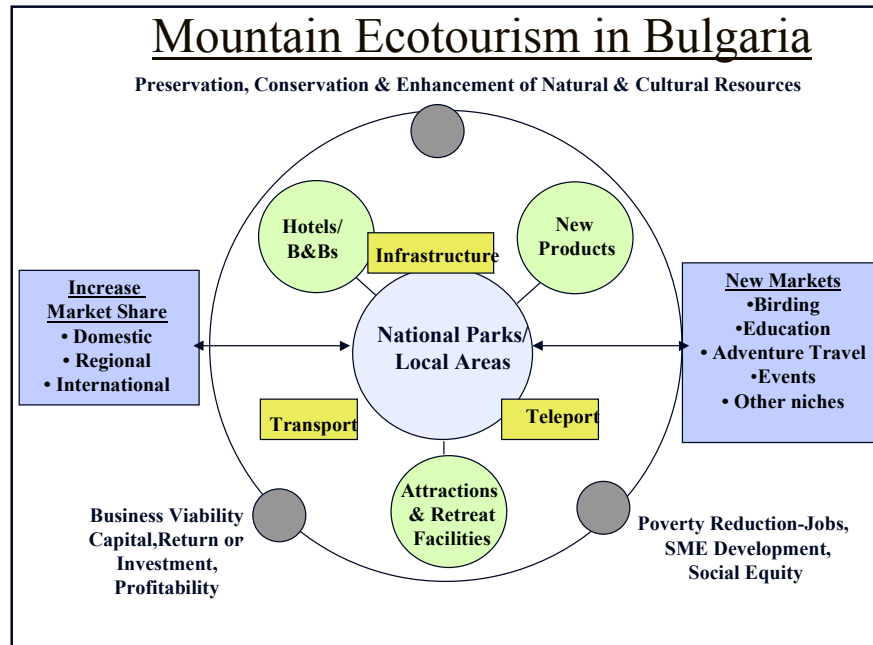
Destination Management Organization activities are based on:

- Providing access
- Identification of resources
- Land use plans
- Attractions/destinations management plans
- Development of leisure facilities

Tourism planning projects can be promoted by the public administration or the private sector, or a combination of both, working together to achieve competitiveness in the marketplace. In developing tourism, cooperation between both sectors, public and private, becomes more important as some basic infrastructures and services are required.

In developed and consolidated tourist destinations physical planning is usually carried out to re-launch an area that has declining tourism or, usually on a small scale, to launch a new geographic area (natural and historic sites, addition of leisure equipment).

Mountain tourism in Bulgaria is described in the following diagram. This diagram explains the components need to launch a destination management and marketing program and the key benefits to be achieved.



5.4 Commercialization of Products

The development of commercial products is based on the already existing offer of attractions, facilities and services that are:

- grouped and presented in a way that can be perceived as something new or attractive by specific market segments
- complemented with some new attractions, facilities, activities, events and services targeting specific or new market segments adapting the existing product to new demand conditions
- designed to enhance the destination's image
- capable of attracting new market segments

The reason for a large number and diversity of attractions is to increase the demand for services (lodging, food, retail sales, transportation). These services are the economic generators for tourism but require volumes of visitors to make them feasible. When only a few Attractions directed to only a small number of travel markets are in place, the tourism economy is subject to great fluctuations⁸.

The development of commercial products is based on market research, marketing techniques and communication actions. In this section, we deal with the basic concept of how the hospitality industry works with the existing sales distribution system. The concept is simple: unless a destination can be packaged and programmed, it cannot be sold.

5.5 *Facilitation of Commercialization by RSOs and DMCs*

There are numerous beautiful, scenic, interesting, and otherwise marketable destinations in the world that cannot be developed for incoming tourism because no one at the destination is willing or able to package the product for sale.

Here is how the system works, worldwide:

- Travel buyer hears about a destination and is motivated to visit it
- Travel buyer visits local travel agency and asks about the destination
- Travel agent looks on his brochure rack – and finds no tour brochures for that destination.
- Travel agent tries to convince the client NOT to visit that destination; buy an already packaged product to another destination.

Why would travel agents do that? For several reasons:

1. A package tour is booked in one telephone call. All the trip details are already planned. It is an easy way to earn a commission
2. The travel agent doesn't have to know anything about the destination: the tour operator already did all the work for him
3. The time, expense, and legal liability of planning an individual itinerary for many travel agents are prohibitive. Many agents will not even try it.
4. The travel agent deducts his commission from the package tour price before sending the net amount to the tour operator. The travel agent does not have to wait until after the trip is completed to collect individual commission checks from each vendor.

The packaging and programming process must begin at the destination. Most of the tour operators who could be interested in promoting new travel products in Bulgaria do not have the time, money, or personnel to visit each destination in Bulgaria and set up an inbound operation to handle their tours.

The first step in tour packaging is the RSO (receptive services operator) or inbound operator.

5.6 *RSO Role*

The services offered by a **RSO** typically include:

Meeting Service at the airport (uniformed personnel to meet the tour group on arrival, transport their baggage, and escort them to the transfer vehicle)

Transfers (by taxi, private car, van, motorcoach, etc.) from the airport to the hotel (and return from hotel to airport at the conclusion of the trip)

Sightseeing: selection of one or more private car, scheduled motorcoach, or chartered vehicle tours of local sites within city limits

Excursions: selection of one or more private car, motorcoach, or chartered vehicle tours of local sites outside city limits

Self-packaging is especially important because travel agents do not give shelf space on their brochure racks to individual resorts or hotels unless they are packaged. Any hotelier who sends a supply of brochures to travel agents is wasting his money unless the brochure features a packaged product that can be pre-paid.

5.7 DMC Role

The DMC usually does not own any of the facilities or attractions. They act as the representative of the tour operator to provide the following services:

- Locating any services, facilities, and attractions the tour operator might want to include in the tour
- Handling the negotiations, reservations, and payments to local vendors
- Coordinating all the different services and facilities
- Ensuring that the operation of the tour in that destination runs smoothly.
- The DMC buys at negotiated net rates from local suppliers, adds his mark-up, and sells to the tour operator. Although the tour operator could negotiate with each individual supplier of services for his tour and thus avoid the DMC mark-up, the time and expense involved is prohibitive.
- The DMC may act as the tour operator's representative on site. Every tour operator knows how easily something can go wrong with a tour and how important it is to have someone there, with the group, who can take care of any emergency.

The services offered by a DMC (Destination Management Company private sector) typically include all of the same services outlined for RSOs plus:

- Outfitters (for adventure tours)
- Local Rail and Boat Reservations and Ticketing
- Accommodation Reservations (Net run-of-house group rates)
- Special Interest Activities
- Speakers' Bureau
- Site Visits
- Tickets to Theater, Sports, and Cultural Events
- Suggested itineraries and tour modules
- Ancillary Services (as needed for operation of each type of tour, such as 24-hour photo lab services for photography tours).
- Charter Vehicles
- Interpreter Services

In short, the DMC provides whatever is needed to operate a tour at a destination. If no DMC exists at a destination, then it is up to the local resorts, spas, and hotels to "self-package" their properties. If a destination already has RSOs and DMCs, the delivery process is in place. Where problems with tourism development occur is when the RSOs and DMCs are not already in existence in the product to be developed.

5.8 Initial Investment Requirements for DMC/RSOs

The biggest expense in starting a DMC/RSO company is the purchase of one or more vehicles to be used for the transfers and sightseeing. If there are vehicles already available for charter (vans, motor coaches, etc.), then the purchase of vehicles is not necessary for the initial start-up.

The bottom line is tourism development that goes beyond the traveler arriving in his own vehicle or staying at just one location where a vehicle is not needed, depends on availability of vehicles for tourist services. So the starting point to any DMC is, “How will the tour participants be transported?” In our pilot sites, charter vehicles at the destination become essential as well as personal vehicles and motor coaches.

After that question is answered, the next question becomes, “Who is going to do all the work, creating the inventories of attractions, services, and facilities, putting together the sample itineraries, planning and writing the Confidential Tariffs and tour catalogs, and promoting the new DMC services to the tour operators, worldwide?”

The point is, a DMC company can be started with as few as one person, working from their home. With at least one DMC company in place, the delivery process is relatively simple:

- Charter vehicles and other local hospitality industry vendors to sell to
- Tour operators to sell to
- Retail Travel Agents to sell to
- Travelers

Or, to put it in its simplest form:

1. Supplier sells to the
2. Broker who sells to the
3. Wholesaler who sells to the
4. Retailer who sells to the
5. Customer

The DMC is acting as the “broker” for the entire hospitality industry in his geographic area: hotels, restaurants, sports events, farm visits, home stays, entertainment, etc. He buys at negotiated **net** rates from the industry because he becomes, in essence, the first link in their sales distribution system and he is rewarded by them (through his mark-ups on their net rates) when he actually produces business. Unless the DMC produces business, he has cost the industry nothing.

Without the DMC, however, the promotional costs of reaching the wholesalers, retailers, and customers outside their own immediate geographic area are out of the reach of most small attractions operators, restaurants, souvenir shops, etc. Imagine the bonanza for the refreshment shop selected as the rest stop for the bicycle tour groups! This is business the owner would never have gotten on his own but by being included in the DMC’s sample bike tour itinerary sent to all the bicycle group tour operators, worldwide, he has an unparalleled opportunity.

5.9 Feasibility Analysis

One of the functions of management is to establish whether a particular product has a demand and whether it will be profitable. This can be done through a Feasibility Analysis. Basically, the purpose of this study is to evaluate whether a product will be successful or not. Morrison defines a feasibility analysis as “a study of the potential demand for and economic feasibility of a business or other type of organization”⁹.

Please use the attached ecotourism business planning template to assist in the feasibility analysis process.

5.10 Tour Operating Ratios

Ratios are simple mathematical examples that will allow a tour operator or small business owner evaluate the tourism demand throughout the year and during specific times. There are several methods that can be used. Some of these ratio formulas are as follows:

Tour Operating Ratios¹⁰

1. Load factor ratios: average TMs = $\frac{\text{total TMs per season}}{\text{number of tours per season}}$

TM = Tour members (passengers)

$$\text{load factor percent} = \frac{\text{number of TMs}}{\text{maximum capacity}}$$

$$\text{annual average TMs} = \frac{\text{total annual TMs}}{\text{total \# of annual tours}}$$

2. Average revenue or average rate per TM

$$\text{Average rate per TM} = \frac{\text{total tour revenue}}{\text{number of TMs}}$$

3. Contribution margin per tour, contribution margin per year and percents of revenue

$$\text{Contribution Margin Percent} = \frac{\text{tour revenue} - \text{direct tour costs}}{\text{Tour revenue}}$$

5.11 Budgeting and Break Even Analysis

It is vital to the overall operation of any attraction that management have the ability to prepare and maintain a budget. There are two types of budgets: the operating budget, used to control the exchange of services for revenues and cash budgets, used to measure actual cash flows in and out of businesses.

Operating budgets allow management to establish product costs, prices of services rendered and necessary revenue to cover expenses and generate a profit. They establish monthly goals that keep the organization on track. This budget evaluates the business on a monthly basis so as to determine elements such as, when to hire additional employees, when to purchase less goods and how to identify peak and off peak times.

Cash budgets focus on when and where cash is coming from, when expenses need to be paid and when revenue will enter the business. This is necessary to recognize whether the organization will require additional funds or will have extra cash at specific times. Note the example below.

Tour Example—Budget Compared to Actual

Tour X: Budgeted	Based on 18 passengers
Variable Costs per person	\$163
Tour Fixed costs (2000/18)	\$111
Total before markup	\$274
Markup (budgeted) (This amount is based on what your market can bare)	\$25
Selling Price per person	\$299

Tour X: Actual (Only 14 passengers)	
Variable Costs per person	\$163
Tour Fixed costs (\$2000/14)	\$143
Total before markup	\$306
Selling Price	\$299
Loss in contribution margin per tour member	\$(7)
Total Loss	\$126

A break-even analysis is used to establish at what point an organization will match its expenses to its income and from there when profit will begin. The break-even analysis should be a realistic projection of the organization's financial situation.

To determine the break-even point, you first have to differentiate between fixed costs (costs that do not vary with the level of output, e.g. rent, interest, administration expenses) and variable costs (costs that vary directly with the number of passengers, e.g. tour guides, refreshments, etc).

A basic break even analysis formula takes the total fixed costs divided by selling price less variable costs. If we take the above example, it would look like this.

Fixed costs: \$2000
 Variable costs: \$163 per passenger
 Selling price: \$299 per passenger
 $=2000/299-163=15$

Break even analysis results: You would need 15 passengers to break even at this selling price. As we see above, this tour operated at a loss as they only had 14 passengers. It is essential to

conduct the break even analysis prior to marketing and conducting the tour so that you will be able to price the tour appropriately to generate a profit.

Exercise 5

A separate planning form is provided for this exercise. It is designed to help you draft a preliminary ecotourism business plan. You will need to have these details in mind as you expand your current business or start a new business. This type of information is essential for you to attract equity investment or financing.

6. Conclusion

As globalization continues to bring us closer together, tourism can be used as an important tool in destination development. As one of the largest industries in the world, it has the strong developmental potential. Revenue generated through tourism activities can serve as a strong economic base to any community. Bulgaria has great potential for tourism development. Sustainable products such as ecotourism, cultural/heritage, health or event tourism can provide needed economic alternatives to manufacturing and agriculture. Regions that have few resources can greatly benefit for proper tourism development. By following this manual tourism leaders can develop products that are both sustainable and competitive. Almost any region can develop tourism with the right amount of research and planning. By following these steps, it is possible to create a product that will continually provide benefits to the operator, community and region.

As we have explained, regardless of whether you are a community leader or a private operator, the first step in any tourism product is to follow a process of tourism planning. Firmly establishing what goals you hope to achieve and continually re-evaluating them will help keep the project focused and successful.

Innovative product development is the next step. Once the goals have been established, it is crucial to identify what products will fulfill them. Benchmarking and best practice policies can help to eliminate some of the uncertainty of the process. There can never be enough care given to the identification the right tourism product.

Once the product has been created, strategic marketing must begin. It does not do any good to have a destination or an attraction that no one knows about. Correctly marketing a product by identifying who would be interested in the product and then attracting them is key to tourism development. Establishing several key target markets will prove more cost-effective than across the board marketing.

Tourism is a dynamic phenomenon. It is constantly changing. In order to maintain a product once it has been developed, innovative management must be incorporated. It is not enough to create a wonderful product. Each facet of the project must continually be renewed. Management must seek out new products in order to maintain competitive.

After the tourism product is created and maintained in a sustainable fashion, the benefits it will provide are many. Bulgarian tourism development has strong potential to attract tourists from all over the world, but especially from the rest of North America. Its proximity and relative political stability give it a competitive advantage over the rest of Latin America.

Overall, there is no reason why sustainable tourism development should not lead Bulgaria into a strong financial twenty-first century. We hope this manual will assist in making that happen.

1 Gartner, William C. Tourism Development, Principles, Processes and Policies.

Van Nostrand Reinhold, USA: 1996

2 ibid

3 ibid

4 ibid

5 ibid

6 Nolan, Timothy M., Goldstein, Leonard, Wiliam, J. Applied

Strategic Planning: the Consultant Kit, Pfeiffer & C., San Diego, CA:1992

7 ibid

8 ibid

9 Gartner, William C. Tourism Development, Principles, Processes and Policies. Van Nostrand Reinhold, USA: 1996

10 Fay, Betsy, Essentials of Tour Management Prentice Hall, New Jersey: 1992

ARD BCEG Project Preliminary Ecotourism Business Plan

Note: If you have access to the Internet, go to <http://www.bplans.com/> for a template for refining this business plan and to review sample plans related to your business concept

Proposer: Name & Address		Phone: Email:
BCEG Advisor: Name & Address		Phone: Email:
GW Team: Name & Address		Phone: Email:
Name & Address		Phone: Email:

Executive Summary

Keep the summary short. This summary is the gateway to the rest of your plan. Get it right or your target readers will not go further. Remember always to match your plan to your purpose. This is business, not writing class. If you're selling an idea, hit the highlights, make it exciting. Cite growth rates, opportunities, and competitive advantage. If you're just exploring an idea for yourself, say so in the summary. As a general rule, your first paragraph should include your business name, what it sells, where it is located, and the nature and purpose of the plan. You might also refer to the keys to success, or at least summarise them briefly. Another paragraph should highlight important points. Projected sales and profits are normally included, as well as unit sales and profitability. Include the news you don't want anyone to miss. That might be an important strategic focus for the plan, or new product or service, or something else. In some businesses, it might be taking on new partners, new investment or new expansion, or even cutting the expenses and preparing the business for hard times.

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Business Objectives		
<p>Make your objectives specific, measurable business goals, such as sales, profits, growth rates, etc. Avoid listing more than three of your most important objectives, because a short list emphasises focus and concentration. This is not your mission statement. Future implementation depends on your being able to track progress towards goals and measure results. And implementation is critical. List critical tasks to be performed and assign responsibility for their execution.</p>		
Objectives	Tasks to be Performed	Responsibility
1.	1.1 1.2 1.3	
2.	2.1 2.2 2.3	
3.	3.1 3.2 3.3	

Mission
<p>Describe your business' most basic and fundamental goals. List the benefits you'll provide to your customers, your employees, and you as business owner. Think of what business you are really in, which is more about the benefits you offer to customers than the specific goods or services you sell. A good mission statement is a critical element in defining your business and communicating its true goals to its customers, vendors, employees, and owners. For example, if you believe customer satisfaction and customer service is important to you, then say so in the mission statement. If growth and profits are important, say so. Don't confuse the mission with objectives. They are both about goals. The mission is about fundamental values, and the objectives are about measurable concrete numbers. The mission statement is also a good opportunity to specifically define what business you are in. This can be critical to understanding your keys to success</p>

Keys to Success

Listing your keys to success is a great way to develop a strong focus on priorities. Every business has different keys to success. They are a few key factors that make the difference between success and failure. What they are for your business depends on who you are and what you offer. In a restaurant business, for example, location and parking might be keys to success. For accountants and attorneys, the keys might include professional quality, reliability, and participation in community organisations. The idea of keys to success is based on the need for focus. Don't let your list of keys to success get too long. Three or four items is ideal. Since the GCEG Project is focused on biodiversity conservation, be specific as to how your business would relate directly or indirectly to the national park in your area.

Market Analysis

Market analysis focus on potential customers, not actual customers. For example, if you have small hotel with 8 beds and a year round occupancy of 35%, focus on setting a goal to increase your occupancy rate to a higher rate (e.g. 70%) and then focus on the total potential customers you could serve. Once you understand the idea of potential customers, then your problem is information gathering and making estimates. Remember, this is an initial assessment, not a final business plan. For this first step, you want a practical market analysis that will help you decide whether or not you want to develop the full plan. Does it guide you to better business decisions, better focus on priority segments? Do your research for business reasons, to guide your decisions, not just for the sake of research.

Market Segments List below	Potential Customers First year	Potential Customers Second year	Potential Customers Third year
Total			

Break Even Analysis

A break-even analysis is used to establish at what point an organisation will match its expenses to its income and from there when profit will begin. The break-even analysis should be a realistic projection of the organisation's financial situation. To determine the break-even point, you first have to differentiate between fixed costs (costs that do not vary with the level of output, e.g. rent, interest, administration expenses) and variable costs (costs that vary directly with the number of passengers, e.g. tour guides, refreshments, etc). The basic break even analysis formula takes the total fixed costs divided by selling price less variable costs. A 3 night/3 day tour package example follows:

Fixed costs: \$2000

Variable costs: \$163 per passenger

Selling price: \$299 per passenger

Break Even= $2000/299-163=15$ passengers

You would need 15 passengers to break even at this selling price. As we see above, this tour operated at a loss as they only had 14 passengers. It is essential to conduct the break even analysis prior to marketing and conducting the tour so that you will be able to price the tour appropriately to generate a profit. Fixed costs are what you expect to spend in an average month on rent, payroll, utilities, and the other normal running costs you'd expect to pay regardless of sales. Variable costs are per-unit costs that you won't have if you don't build the unit, such as raw materials for a manufacturer, cost of goods sold for a store, or cost of providing a service. Calculate the break even point for your business below:

Estimated Fixed Cost Total:

Estimated Variable Cost per Customer:

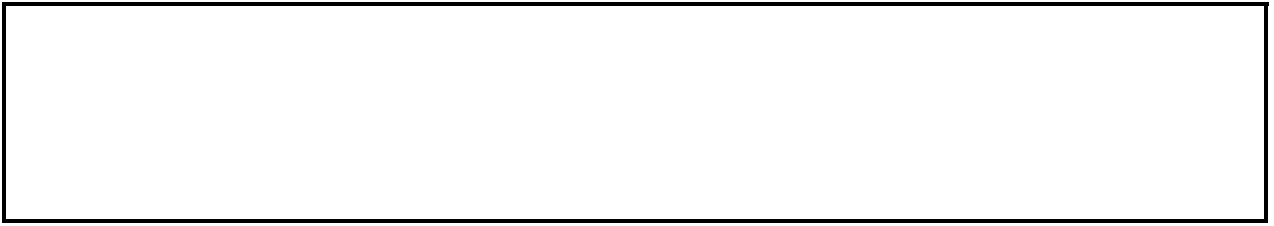
Estimated Selling Price per Customer:

Break Even = Fixed Cost Total/Selling Cost less Variable Cost

Note: List fixed expenses and specific cost elements for variable costs. For selling costs, list the amount you actually receive (less cost of making the sale-- commissions, discounts, etc.)

Next Steps and Timetable

Using the Chart on the next page, complete the timetable. Alas, list below the critical next steps you will take to implement your plan. What assistance do you need. The BCEG will try to assist you in accessing resources



Business Plan Timing

Task		Timing by Month, beginning _____, 19____											
No.	Description/Specific Tasks	1	2	3	4	5	6	7	8	9	10	11	12
1													
1.1													
1.2													
1.3													
2													
2.1													
2.2													
2.3													
3													
3.1													
3.2													
3.3													
4													
4.1													
4.2													
4.3													